CITY OF NORFOLK REDEVELOPMENT PLAN FOR THE NOR-PARK DEVELOPMENT, LLC HOUSING DEVELOPMENT

I. <u>INTRODUCTION</u>.

This Redevelopment Plan for a blighted and substandard area of the City of Norfolk, Nebraska ("Redevelopment Plan") is a guide for redevelopment activities to remove or eliminate blight and substandard conditions within the City of Norfolk, Nebraska ("City"). The City recognizes that blight is a threat to the continued stability and vitality of the City as it relates to affordable housing development.

This Redevelopment Plan sets forth a phased redevelopment project consisting of 2 apartment buildings with 28 units each, 5 triplex lots with 3 living units per lot for a total of 15 living units, 11 single-family attached (townhome) structures with 22 living units and 28 single-family detached homes (collectively, the "Redevelopment Project"). The legal description of the site of the Redevelopment Project is attached hereto as Exhibit "2". A preliminary site plan of the Redevelopment Project is attached and incorporated herein as Exhibit "2".

Nor-Park Development, LLC ("Redeveloper"), anticipates that Lots 1 through 28, inclusive of Nor-Park Subdivision to the city of Norfolk, Madison County, Nebraska, will be developed in phases with each such lot to be developed for a single-family detached home.

Redeveloper anticipates that Lots 29 A through Lot 39 B, inclusive of Nor-Park Subdivision to the city of Norfolk, Madison County, Nebraska, will be developed in phases with each such lot developed for one half of a single-family attached (townhome) structure [11 single-family attached (townhome) structures with 22 living units].

Redeveloper anticipates that Lots 1 through 5, inclusive of Nor-Park II Subdivision to the city of Norfolk, Madison County, Nebraska, will be developed in phases with each such lot developed for a 3 unit triplex [5 triplex structures with 15 living units].

Redeveloper anticipates that Lots 8 and 9, of Nor-Park II Subdivision to the city of Norfolk, Madison County, Nebraska, will be developed for two 28-unit apartment buildings.¹

After infrastructure installation, housing units will be constructed in annual phases in the years 2019, 2020, 2021, 2022 and 2023. An extension of the build out for an additional 4 years may be required due to market conditions. Further, Redeveloper may elect to construct a different

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¹ Lots 6, 7 and 10, as shown on the preliminary site plan, are not a part of this Redevelopment Plan.

mix of single-family detached, single-family attached and multi-family structures based upon market conditions and demand. Such election shall not be deemed as a deviation from this Redevelopment Plan unless it "substantially changes" the Redevelopment Plan under Section 18-2117 of the Nebraska Community Development Law, Sections 18-2101 et. seq. (the "Act").

The Redevelopment Area is inside the city limits and correctly zoned for the proposed uses. Current market rental rates and housing prices are insufficient to allow for recovery of development costs, maintenance, operational costs for rental units and construction costs for triplex homes, single-family attached (townhome) and single-family detached homes without the assistance of tax increment financing ("TIF"). All available evidence suggests that the Redevelopment Area has not attracted the private investment necessary to contribute to the wellbeing of the community, nor is it reasonably anticipated that the area would be developed without public action. To encourage private investment in the Redevelopment Area, this Redevelopment Plan has been prepared to set forth the Redevelopment Project, which is considered to be of the highest priority in accomplishing the goal of revitalizing and strengthening the Redevelopment Area.

This Redevelopment Plan will require a number of years to implement and will be market driven. The phased development is intended to occur with lots combined into phases based on when construction is initiated on each lot (each collection of lots on which construction has been commenced in a given year, a "Phase"). In order to offer this development at marketable rates the Redeveloper seeks a TIF grant from the City pursuant to the Act, as part of a multi-step phased development project. Redeveloper is unable to undertake the site acquisition and construction of public improvements for the Redevelopment Project without assurance that Redeveloper can undertake construction of living units on all lots. Redeveloper provides that it would not complete the initial public improvements for all Phases but-for the approval of the entire Redevelopment Project. Accordingly, this Redevelopment Plan contemplates that the costs and expenses of all the public improvements for the Redevelopment Project are eligible TIF uses for each Phase of the Redevelopment Project (as allocated). As such, Redeveloper may apply the TIF revenues generated from each Phase of the Redevelopment Project toward the payment of the eligible expenses of the entire Redevelopment Project, if necessary.

Annually, or as often as Redeveloper initiates a new Phase, Redeveloper will submit to the Community Development Agency of the City (the "Agency") an amendment to the "redevelopment contract" (as defined in the Act) for that year's Phase on a form prescribed by the Agency. The redevelopment contract, and each amendment thereof, shall set forth the "Effective Date" and "Redevelopment Project Valuation" (as defined in the Act) for the pertinent Phase.

Redeveloper estimates \$2,085,000 in TIF-eligible costs for the Redevelopment Project. Redeveloper seeks a TIF grant in an amount not to exceed \$2,085,000 for the TIF-eligible costs that include, but are not limited to: site acquisition, site preparation, infrastructure, utilities, capitalized interest, engineering, architecture and legal fees.

Redeveloper will be required to purchase a Tax Increment Revenue Bond ("TIF Bond") from the Agency in an amount not to exceed \$2,085,000. Redeveloper will be required to obtain a bank loan in order to purchase the TIF Bond. Redeveloper will use the TIF Bond proceeds to

pay for the TIF-eligible costs. The TIF Bond will be a limited obligation of the Agency, solely repayable from the incremental (increased) ad valorem real property taxes from the Redevelopment Project. Redeveloper and the Agency anticipate that the Agency will issue one TIF Bond encapsulating the TIF-eligible expenses for the entire Project; provided, however, that the Phases may have different effective dates. The Agency and Redeveloper will provide a more detailed overview of the TIF Bond and its issuance in the redevelopment contract, or amendment thereof, or the resolution authorizing issuance of the TIF Bond.

Real estate taxes that result from the assessments on the real property, prior to the division of taxes to pay the TIF Bond, will continue to be paid to the normal taxing entities during the TIF Bond repayment period as prescribed by the Act. Upon the earlier of repayment of the TIF Bond or expiration of fifteen years after the effective date(s) provided in the redevelopment contract, or an amendment thereof, all increased taxes will be paid to the normal taxing entities.

II. EXISTING CONDITIONS.

This section of the Redevelopment Plan examines the existing conditions within the Redevelopment Area. This section is divided into the following subsections: existing land use, existing zoning, existing public improvements, and existing building condition/blighting influences.

- A. <u>Existing Land Use</u>. The existing land use is shown on <u>Exhibit "3"</u>. The land within the Redevelopment Area is currently undeveloped.
- B. <u>Existing Zoning</u>. The Redevelopment Area is zoned R-2 for Nor-Park and R-3 for Nor-Park II.
- C. <u>Existing Public Improvements</u>. There are no paved streets or municipal water or sanitary sewer mains serving the Redevelopment Area.
- D. <u>Existing Building Conditions/Blighting Influences</u>. Northeast Nebraska Economic Development District conducted a study entitled "Blight and Substandard Study, East Omaha Avenue Redevelopment Area" for the City of Norfolk (the "Blight Study"). The evaluation and subsequent findings of the Blight Study were based upon the criteria outlined in the Act. The Blight Study determined that the study area, which includes the Redevelopment Area, exhibited a number of deficiencies applicable to the consideration of a "substandard and blight" designation including the existence of conditions which endanger life or property by fire or other causes and dilapidation/deterioration. The Planning Commission and City Council will hold public hearings pursuant to the Act prior to considering action on this Redevelopment Plan.

III. POST-REDEVELOPMENT CONDITIONS.

This section of the Redevelopment Plan examines the future conditions within the Redevelopment Area subsequent to completion of the Redevelopment Project. This section is divided into the following subsections:

- A. Proposed Land Use Plan
- B. Conformance with the Comprehensive Plan; Conformance with the Community Development Law Declarations
- C. Relationship to Local Objectives
- D. Building Requirements and Standards after Redevelopment
- E. Proposed Changes and Actions
- F. Cost-Benefit Analysis
- G. Proposed Cost and Financing
- H. Procedure for Changes in the Approved Redevelopment Plan
- I. Relocation Plan
- A. <u>Proposed Land Use Plan</u>. The Redevelopment Area will transition to a single-family (attached and detached) and multifamily residential area. The proposed land use for the Redevelopment Area is conceptually shown on <u>Exhibit "2"</u>.
- B. <u>Conformance with the Comprehensive Plan; Conformance with the Community Development Law Declarations</u>. In accordance with the Act, this Redevelopment Plan has been designed to conform to the City's adopted Comprehensive Plan as defined in Section 19-5 of the Official City Code (the "Comprehensive Plan"). Currently zoned as R-2 and R-3, the Redevelopment Area will not require a change of zoning to allow the single-family (attached and detached) or multifamily housing. The City Council finds that this Redevelopment Plan is feasible and in conformity with the Comprehensive Plan as a whole and conforms to the legislative declarations and determinations set forth in the Act.
- C. Relationship to Local Objectives. This Redevelopment Plan was developed on the basis of the goals, policies and actions adopted by the City for the community as a whole and for the Redevelopment Area. General goals, policies and actions relating to the community as a whole and for the Redevelopment Area are contained in the Comprehensive Plan. The Norfolk Community Housing Study, December 2016, as amended December 2018, indicates the City requires 288 rental units (market and workforce) by 2023. The Redevelopment Project could provide approximately 25 percent of the estimated demand. Additionally, the Study set forth the need for approximately 406 new owner housing developments in the City for all age and income sectors, with varied, affordable price products. As such, the mix of townhomes, single-family attached residences, and single-family detached homes provides variance in the price and type of housing available in the City in compliance with its stated goals.
- D. <u>Building Requirements and Redevelopment Standards</u>. The redevelopment of the Redevelopment Area should generally achieve the following requirements and standards:
 - 1. <u>Population Density</u>. There are currently no residential buildings located within the Redevelopment Area. Population density within the Redevelopment Area will increase via construction of 2 apartment buildings with 28 apartment units each; 15 triplex units (5 structures), 22 single-family attached (townhome) units (11 structures) and 28 single-family detached homes. Current housing occupancy in the City is 2.35 persons per household.

2. <u>Land Coverage and Building Density</u>. Land coverage in the Redevelopment Area is approximately 12.63 acres for Nor-Park Subdivision and 14.88 acres for Nor-Park II Subdivision for a total of 27.51 acres. There are currently no buildings within the Redevelopment Area. Redeveloper contemplates that each single-family detached home will cover approximately 1,400 square feet; each of the 11 single-family attached (townhome) structures will cover approximately 4480 square feet each with garages; each triplex townhome unit will cover approximately 2268 square feet with garages; each apartment unit will cover approximately 28,362 square feet.

Land coverage will comply with all applicable zoning and land coverage requirements for the area.

- 3. <u>Building Heights and Massing</u>. Building heights and massing will comply with the applicable zoning requirements for the area in order to receive a building permit.
- E. <u>Proposed Changes and Actions</u>. This section describes the proposed changes needed, if any, to the zoning ordinances or maps, street layouts, street levels or grades, and building codes and ordinances, and actions to be taken to implement this Redevelopment Plan.
 - 1. <u>Zoning, Building Codes and Ordinances</u>. The Redevelopment Area is zoned R-2 for one and two family residential and R-3 for multifamily residential. No zoning changes are necessary with respect to the Redevelopment Project.
 - 2. <u>Traffic Flow, Street Layout and Street Grades</u>. Access to the Redevelopment Area will be from East Bluff Avenue, Ferguson Drive, East Michigan Avenue and South Chestnut Street. Final design of street grades and paving installation will be subject to approval by the City's engineers. A preliminary rendering of the street locations is shown on Exhibit "2".
 - 3. <u>Parking Facilities</u>. Parking spaces will be provided for the apartments in accordance with the Norfolk Zoning Regulations. Garages are to be provided as a part of each structure for the single-family (attached and detached) residences.
 - 4. <u>Public Redevelopments, Improvements, Facilities, Utilities and Rehabilitations</u>. In order to support the new land uses in the Redevelopment Area, Redeveloper anticipates construction of the following: (1) Extension of water mains from the city water main and throughout the Redevelopment Area; (2) extension of a sanitary sewer main throughout the Redevelopment Area; (3) paving of streets; and (4) installation of storm and sanitary sewer and water mains and electrical lines throughout the Redevelopment Area. A retention pond has been dedicated to the city as a park. The location of the pond/park is shown on <u>Exhibit"2"</u>.
 - 5. <u>Site Preparation and Demolition</u>. Site preparation for onsite infrastructure will be required. The Redevelopment Area will require site preparation and grading throughout to address drainage.

- 6. <u>Private Redevelopment, Improvements, Facilities and Rehabilitation</u>. The private improvements anticipated within the Redevelopment Area include the construction of approximately 2 multi-family apartments with 28 units per building; 28 single-family detached homes; 15 triplex homes and 22 single-family attached (townhome) living units.
- F. <u>Cost-Benefit Analysis</u>. A cost-benefit analysis for the Redevelopment Project is incorporated herein by this reference ("Cost-Benefit Analysis") and is shown on <u>Exhibit "4"</u>. The Cost-Benefit Analysis complies with the requirements of the Act in analyzing the costs and benefits of the Redevelopment Project, including costs and benefits to the economy of the community and the demand for public and private services.
- G. <u>Proposed Costs and Financing; Statements.</u> The Agency intends to negotiate a specific redevelopment contract with Redeveloper, outlining the proposed Redevelopment Project, and contributions from TIF which are necessary from the Agency. The redevelopment contract will include a site plan, Redevelopment Project description, specific funding arrangements, and specific covenants and responsibilities of the City, Agency and Redeveloper to implement the Redevelopment Project. Redeveloper will construct all private improvements at its own cost and expense.

Estimated TIF-eligible Redevelopment Project costs are shown below:

Site Acquisition, Survey and Title	\$ 179,354
Site Preparation	\$ 120,000
Water and sanitary sewer	\$ 400,000
Paving and storm sewer	\$ 749,756
NPPD line move and backbone	\$ 173,425
Contingency	\$ 144,342
Capitalized Interest	\$ 278,123
City legal costs	\$ 15,000
Project Planning/legal	\$ 25,000

TOTAL \$2,085,000

The above figures are estimates and are subject to change. Final figures are subject to a specific site plan, design specifications, City approval and public regulations. A breakdown of all estimated sources and uses (including the TIF-eligible costs) is attached hereto and incorporated herein as Exhibit "5".

Construction costs of the apartments is estimated at \$5,936,000 assuming 2 apartment buildings are constructed; construction costs of triplex units is estimated at \$1,800,000; construction costs of single-family attached (townhome) units is estimated at \$3,740,000; and construction costs of single-family detached homes is estimated at \$5,600,000. Redeveloper estimates total private construction costs for the Redevelopment Project of approximately \$17,076,000.

The Agency will not fund improvements that exceed the amount of funds available from TIF revenues for the Redevelopment Project. The Agency and Redeveloper estimate the amount of the available TIF revenues from the Redevelopment Project are in excess of the eligible costs.

The TIF revenues are to be allocated under the terms of Section 18-2147(1)(b) of the Act for those tax years set forth in the redevelopment contract, or amendment(s) thereof. The real property ad valorem taxes on the taxable valuation of the Redevelopment Area for the year prior to redevelopment will continue to be paid to the applicable taxing bodies in accordance with the terms of Section 18-2147 of the Act.

Pursuant to Section 18-2147 of the Act, any ad valorem tax levied upon real property on the lots within the Redevelopment Area shall be divided, for a period not to exceed 15 years after the effective date(s) of the provision as determined pursuant to a redevelopment contract, or amendment thereof, between Redeveloper and the Agency, or in the resolution authorizing the TIF Bond.

Said taxes shall be divided as follows:

- a. That portion of the ad valorem tax which is produced by the levy at the rate fixed each year by or for each such public body upon the "redevelopment project valuation" (as defined in the Act) shall be paid into the funds of each such public body in the same proportion as are all other taxes collected by or for the body; and
- b. That portion of the ad valorem tax on real property in the Redevelopment Area in excess of such amount, if any, shall be allocated to and, when collected, paid into a special fund of the Agency to be used solely to pay the principal of, the interest on, and any premiums due in connection with the bonds of, loans, notes, or advances of money to, or indebtedness incurred by, whether funded, refunded, assumed, or otherwise, the Agency for financing or refinancing, in whole or in part, the Redevelopment Project. When such bonds, loans, notes, advances of money, or indebtedness, including interest and premiums due, have been paid, the Agency shall so notify the county assessor and county treasurer and all ad valorem taxes upon taxable real property in such Redevelopment Project shall be paid into the funds of the respective public bodies.

Because the redevelopment plan proposes to use TIF funds as authorized in § 18-2147 of the Act, the City Council, sitting as the Agency, finds as follows based upon the representations of Redeveloper:

- a. the Redevelopment Project in the plan would not be economically feasible without the use of tax-increment financing;
- b. the Redevelopment Project would not occur in the Redevelopment Area without the use of tax-increment financing; and
- c. the costs and benefits of the Redevelopment Project, including costs and benefits to other affected political subdivisions, the economy of the community, and the demand for public and private services have been analyzed by the governing body and

been found to be in the long term best interest of the community impacted by the Redevelopment Project.

- H. <u>Procedure for Changes in the Approved Redevelopment Plan</u>. If the City or Redeveloper desires to substantially modify this Redevelopment Plan, it may do so after public hearing(s) on the proposed change in accordance with the Act.
- I. <u>Relocation Plan</u>. No persons or businesses will require relocation as a result of this Redevelopment Plan or the Redevelopment Project.
- J. Agency's Special Attorney's Fees. Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, the legal costs and fees incurred by the Agency in relation to the Redevelopment Project as follows: (1) upon the approval of this Redevelopment Plan, Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, a sum of \$7,500; and (2) upon the Agency's issuance of the TIF Bond, Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, a sum of \$7,500. If the Redevelopment Project requires the issuance of more than one TIF Bond, Redeveloper shall reimburse the Agency, or pay directly to the Agency's special counsel, a sum of \$7,500 for each such issuance.

Exhibit "1" Redevelopment Area

Legal Description:

NOR-PARK SUBDIVISION

Lots 1 through 28, and Lots 29A through 39B, all in Block 2, Nor-Park Subdivision to the City of Norfolk, Madison County, Nebraska. (Owned by Nor-Park Development, LLC)

NOR-PARK II SUBDIVISION

Lots 1 through 10, Block 1 Nor-Park II Subdivision to the City of Norfolk, Madison County, Nebraska (Owned by Nor-Park Development, LLC)

AND

Lot 11, Block 1 Nor-Park II Subdivision to the City of Norfolk, Madison County, Nebraska (Dedicated to City)

TOGETHER WITH

All adjacent rights-of-way serving the Redevelopment Area.

Exhibit "2"
Redevelopment Project Preliminary Site Plan

(See attached)

Exhibit "3"
Existing Condition



- Redevelopment Area outlined in red
- Any discrepancies between the above legal description and depiction should be decided in favor of the legal description.

Exhibit "4" Statutory Cost-Benefit Analysis

As under section 18-2147 of the Act, the Agency has analyzed the costs and benefits of the proposed Redevelopment Project, including:

Redevelopment Project Sources and Uses. Approximately \$3,743,488 (principal and interest paid on the TIF Bond) in property tax receipts from TIF provided by the Agency is required to complete the proposed redevelopment. Such a TIF grant by the Agency will leverage an estimated \$17,076,000 (all phases) in other investment and financing; an investment of \$4.58 for every dollar of tax increment financing.

Use of Funds. A full schedule of proposed sources and uses of funds is attached as <u>Exhibit "5"</u> to the Redevelopment Plan.

Tax Shifts. The property to be redeveloped is anticipated to have a January 1, 2019, valuation of approximately \$103,740. Based on the 2018 levy this would result in a real property tax of approximately \$2038. It is anticipated that the assessed value will increase by a minimum of \$15,340,000 when the Redevelopment Project is completed. This will result in an overall tax of approximately \$301,435 annually (all phases) based on the 2018 levy rate of 1.965030% for property inside the city limits. Of this increased annual amount, approximately \$298,139 represents the estimated tax increment that could be used to pay the TIF Bond issue. The tax increment gained from the Redevelopment Project would not be available for use by the taxing entities as general tax revenues, but would be used to pay the TIF Bond issued to pay for eligible improvements to enable this Redevelopment Project to be realized. To the extent a Redevelopment Project phase has not reached full value at the time taxes are divided, the amount of the annual tax increment will be less.

Estimated 2019 assessed value:	\$ 103,740
Estimated after all phases assessed value	\$ 15,443,740
Increment value	\$ 15,340,000
Annual Increment (less 1% assessor's fee)	\$ 298,139
TIF Bond issue	\$ 2,085,000

Public Infrastructure and Community Public Service Impacts. The Redevelopment Project requires extensive public infrastructure installation. Onsite infrastructure totals an estimated \$1,323,181 in addition to required site preparation. Sewer and water extension throughout the site will be installed by the redeveloper pursuant to public bid. Fire and police protection are considered adequate and no additional personnel or equipment is contemplated.

Employment Within the Project Area. Employment within the Project Area is expected to increase during infrastructure installation and apartment construction. These jobs will be temporary.

Employment in the City Outside the Project Area. The construction of 56 apartments and other residences over the build-out period will provide incremental local sales to support construction workers during that time. This will result in modest upward pressure for jobs in the service and retail sector. The latest census data shows that the City's population per household is 2.35 persons. At this rate, the population could expand by 284 persons as a result of the full implementation of the project. Many of the current residents travel outside of the community for employment. However, the added population could increase demand for local retail and service jobs.

Local Tax Impacts. This Project will require substantial purchases of materials during home construction. With respect to all phases and assuming construction cost is \$17,076,000, approximately 40 percent of the cost will be allocated toward materials. Construction materials delivered to the construction site in the City is subject to local sales tax of 1.5%. At 40 percent for materials, local tax could be as high as \$102,456 to the general fund of the City.

Impacts on student populations. The addition of school age children as a result of this Redevelopment Project will have an impact on the Norfolk School District. Assuming each dwelling unit will result in 2.35 persons and there is a traditional family in each unit, a student population increase of .35 children per apartment is possible for a total of 42 new students. Single parents with multiple school age children will skew this number higher. The school district will not receive taxes from the apartments and other residences built during the time the increased taxes are utilized to pay the TIF Bond. The school district has received state aid to education in the past. Part of the school aid formula involves assessed valuation in the school district. The valuation that generates the TIF Bond payments is not included in the formula and does not count against the state aid that the school district would receive. Taxes on any increase in the base value of the land will benefit the school district. After the TIF Bond is paid, or at the end of the respective 15 years of division of taxes, whichever is sooner, the increased valuation from the residential construction will be available to all taxing entities.

Other Impacts. The Redevelopment Area is blighted and contains substandard conditions that are a detriment to the City as a whole. The Redevelopment Project will revitalize and occupy a vacant space without negatively impacting the surrounding businesses or straining the public infrastructure. There are no other material impacts determined by the Agency relevant to the consideration of the cost or benefits arising from the Redevelopment Project. As such, the costs of the Redevelopment Project are outweighed by its benefits.

Exhibit "5" Sources and Uses of Funds

USES

Site Acquisition, Survey and Title	\$	179,354
Site Preparation	\$	120,000
Water and sanitary sewer	\$	400,000
Paving and storm sewer	\$	749,756
NPPD line move and backbone	\$	173,425
Contingency	\$	144,342
Capitalized Interest	\$	278,123
City legal costs	\$	15,000
Project Planning/legal	\$	25,000
Private construction	\$17	,076,000
TOTAL	\$19	,161,000

SOURCES

Proceeds TIF Bond	\$ 2,085,000
Developer Equity and Private loan	\$ 17,076,000
TOTAL	\$ 19,161,000